Supreme Court, U.S.
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No. 00-33

IN THE

Supreme Court of the United States

INTERNATIONAL STAR CLASS
YACHT RACING ASSOCIATION,

Petitioner,

v.

TOMMY HILFIGER U.S.A., INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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COUNTERSTATEMENT OF QUESTIONS PRESENTED

1. In an action for trademark infringement, does the Second Circuit's requirement of a showing of bad faith, in applying principles of equity to determine whether to award an infringer's profits, constitute a departure from the language of Section 35(a) of the Lanham Act, or a conflict with the decision of any other Circuit Court, where no Circuit Court has awarded an infringer's profits in the absence of a showing of bad faith?

2. Where an infringer has not acted in bad faith, where the trademark owner has shown no actual damages, where no actual confusion exists, and where a consideration of other equitable factors deemed relevant by the Circuit Courts in determining whether to award profits lies in favor of the infringer, should a finding of infringement entitle a trademark owner to a presumptive award of the infringer's profits under Section 35(a) of the Lanham Act?

3. Does the denial of an award of attorneys' fees in the absence of a showing of bad faith conflict with the plain language and legislative history of Section 35(a) of the Lanham Act?

STATEMENT PURSUANT TO RULE 29.6

Respondent, Tommy Hilfiger U.S.A., Inc., is a wholly-owned subsidiary of Tommy Hilfiger Corporation.

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Respondent Tommy Hilfiger-U.S.A., Inc. respectfully requests that this Court deny the Petition for a Writ of Certiorari seeking review of the decision of the United States Court of Appeals for the Second Circuit.

COUNTERSTATEMENT OF THE CASE

The case petitioner describes in its Statement of the Case bears little resemblance to the case actually tried before the Hon. Robert P. Patterson, Jr. of the United States District Court for the Southern District of New York, and appealed three times to the United States Circuit Court of Appeals for the Second Circuit, all over a six-year period. Although petitioner tries to portray itself as the hapless victim of a large corporation, it is petitioner that seeks (and has sought unsuccessfully through three appeals) a monetary bonanza for respondent's unintentional infringement of petitioner's unregistered "Star Class" mark. Although Judge Patterson held that "Star Class" was barely a trademark at all, was hardly infringed, contributed virtually nothing to the value of respondent's garments, and respondent neither adopted nor used "Star Class" in bad faith, petitioner nevertheless, for the fourth time, appeals ultimately to recover not only respondent's profits, but all of the revenues respondent ever generated from the sale of garments bearing the infringed mark.

From the beginning of this litigation, Judge Patterson found that respondent, the owner of some of the most famous trademarks in the apparel industry, did not adopt or use the term "Star Class" knowing that it was a trademark or even that petitioner existed. Pet. App. at 60a, 92a. The District Court found that the respondent used the term "Star Class" as a decoration or embellishment on a line of nautical clothing, believing that it was a generic term used in yacht racing. Pet. App. at 37a. Further, before using "Star Class" as an embellishment, respondent conducted a scan trademark

search, which did not disclose any federal trademark registrations owned by petitioner. Later, when suit was filed, respondent conducted a full trademark search, and that search disclosed no ownership or registration by petitioner of any mark — the only reference to petitioner being on the last page of a 140 page search report, in the common law trade name section of the report, indicating petitioner's name and the fact that it was used in connection with "yacht club membership." Pet. App. at 65a. Judge Patterson found that this, coupled with the fact that respondent's counsel had advised that "Star Class" was a weak mark at best (a conclusion Judge Patterson also reached), did not support petitioner's assertion that respondent's decision to continue selling the garments after being put on notice of petitioner's claim was evidence of bad faith. Pet. App. at 37a.

From the outset, petitioner's entire litigation strategy was to attempt to recover a windfall. Petitioner did not seek a temporary restraining order, but merely asked the District Court to consolidate its motion for a preliminary injunction with the trial on the merits. Pet. App. at 98a. Petitioner never sought a recall of the goods, either in its complaint or in the motion for preliminary injunction. At trial, petitioner failed to show that anyone had been confused by respondent's use, or that petitioner had suffered any actual damage. Further, petitioner proffered no evidence that respondent's use of "Star Class" conferred any benefit on respondent, or that its "Star Class" mark had any value at all when used as a mark on clothing. In addition, petitioner failed to demonstrate any actual consumer confusion, loss of royalties, loss of sponsorship income, loss of membership from its yacht racing association, or that respondent's goods were of poor quality. Rather, petitioner's entire effort was directed toward recovering as much of respondent's revenues from the sale of garments embellished with the word "Star Class" as it could convince the Court to award.

At trial, based on the evidence presented, the Court found that respondent did not decide to use "Star Class" knowing that it was a trademark; that its use of "Star Class" on garments was as a decoration only; that all of the garments bearing the term "Star Class" had multiple, prominent applications of respondent's famous "Tommy Hilfiger" and "Flag Logo" trademarks on labels, hang tags and embroideries; that retailers did not purchase the garments in question because they bore the term "Star Class," but rather because the garments emanated from respondent and prominently bore respondent's famous marks; and that the use of "Star Class" as a mark conferred no benefit on respondent. Pet. App. at 37a-38a, 47a, and 74a.

In his decision following trial, Judge Patterson struggled with the notion that "Star Class," as used by petitioner, was even a protectable mark. After examining the evidence, the Court finally concluded that it was, although it was "a close call." Pet. App. at 77a-86a. Judge Patterson then struggled again with the issue of whether there was any likelihood of confusion (finding the Second Circuit's *Polaroid* factors[1] were divided evenly at 4-4), since there was no evidence that petitioner had used the mark on clothing or that respondent competed with petitioner in any way, or that anyone was confused. Ultimately, however, Judge Patterson found that the mark had been infringed, and entered a permanent injunction. Pet. App. at 94a.

On the issue of a monetary award, however, the District Court drew the line, finding that an injunction was a more than adequate remedy. On the issue of damages, the Court found that petitioner had proffered no evidence of economic

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1. *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). *Polaroid* is the leading case in the Second Circuit setting out the factors for determining likelihood of confusion.

harm, and no evidence of actual confusion, so the Court refused to make any damage award. On the issue of respondent's profits, the Court considered all facts and circumstances that would bear on the equities, including the absence of damage or confusion, and in particular its earlier finding during the liability phase that respondent had not acted in bad faith at any stage, and refused to award any of respondent's profits to petitioner. Pet. App. at 94a-95a.

Following trial, and on the first appeal, petitioner raised for the first time the argument that respondent had acted in bad faith when it first conducted a scan trademark search for "Star Class," because it allegedly ignored its counsel's advice to conduct a more extensive, "full" search. That argument became the focus of the first appeal, and the Circuit Court remanded to Judge Patterson for further findings on that issue. However, the Circuit Court did not upset any of the District Court's other findings on the issue of bad faith or the relative equities of the case, and also affirmed the District Court's determination that petitioner had not demonstrated any confusion, or proven that it had suffered any actual damages. Pet. App. at 26a.

On the first remand to the District Court, on the second appeal, and on the second remand, the continued focus was on the question of whether respondent had acted in bad faith because it had allegedly ignored the advice of its counsel to run a full trademark search. On this issue, the District Court held fast to its finding that respondent had not ignored the advice of its counsel to run a full trademark search, because, Judge Patterson concluded, respondent's counsel had not advised it to run such a search. Pet. App. at 64a. However, in its decision following the second remand, the District Court took the opportunity, again, to summarize its findings on the equities, and in particular its conclusions on all of petitioner's allegations of bad faith.

The Court need look no further than the District Court's most recent opinion again denying petitioner any monetary relief (and refuting completely all the same arguments petitioner makes again in its petition) to recognize that there were no inequities visited on petitioner, and that, as Judge Patterson succinctly stated, "the entry of an injunction against use of [petitioner]'s trademark was sufficient to deter any further infringement of [petitioner]'s unregistered mark." Pet. App. at 38a. Among other things, Judge Patterson held that:

A. According to the unrebutted evidence at trial, the sales of [Hilfiger]'s garments were driven by the prominent use of [Hilfiger]'s name, initials and crests, which identified the garments as [Hilfiger]'s products, and not the words "Star Class." In view of the manner of display and labeling, and the prominent use of the Hilfiger marks, there would be little, if any, motivation for bad faith appropriation of [petitioner]'s mark by [Hilfiger]. The evidence does not demonstrate that Hilfiger willfully intended to cause confusion or deception or to profit from plaintiff's reputation. Pet. App. at 33a.

B. There is no showing the Hilfiger had knowledge of the existence of [petitioner] or of the mark's association with any entity at all, let alone any commercial use of the designation Star Class. Pet. App. at 33a-34a.

C. Further casting doubt on the proposition that [respondent] acted in bad faith is the minimal value the Star Class mark added to [respondent]'s sales, and the improbability that [respondent] would choose the mark in the hope of deceiving consumers or capitalizing on [petitioner]'s reputation. Pet. App. at 36a.

D. Indeed, as aforementioned, the Court found it a "close question" whether or not [petitioner] had any trademark rights at all. Pet. App. at 37a.

E. In view of the fact that (1) Hilfiger was only using the Star Class mark as an embellishment on its Nantucket line of clothing, which was exceedingly well trademarked with the Hilfiger name designating the source of the goods, (2) there is no showing that Hilfiger intended to copy a trademark, (3) Hilfiger's conduct was consistent with the advice of its attorneys concerning when a full search would be required, and (4) Hilfiger was reasonably advised by its attorneys that the Star Class mark was weak, the Court finds that the evidence is insufficient to support a finding a bad faith. *Id.*

F. The evidence shows that the [respondent]'s profits flowed overwhelmingly from the presence on the clothing of "TOMMY HILFIGER" in big letters, the initials "T.H.," and the Hilfiger flag design mark . . . Zwerner testified that, in contrast, the words "Star Class" on garments "didn't mean anything except 'He's high class.' " . . . As shown by the Zwerner testimony, the use of the Star Class mark conferred little benefit on Hilfiger. Pet. App. at 38a-39a.

In light of these clear findings that the equities favor respondent, which were not disturbed by the Second Circuit on the third appeal, further review for the purpose of finding a way to redistribute respondent's profits to petitioner, or for any perceived wrong to be righted, is not warranted. This, coupled with the fact that, as shown below, there is no split in the circuits on the application of the Lanham Act to claims for an accounting of profits, require that the petition be denied.

REASONS FOR DENYING THE WRIT

I.

THIS CASE DOES NOT PRESENT AN IMPORTANT OR NOVEL QUESTION OF LAW WHICH WARRANTS REVIEW BY THIS COURT, BUT RATHER IS AN ATTEMPT BY PETITIONER TO GAIN A WINDFALL

In denying petitioner the remedy of an award of respondent's profits, the Court of Appeals did not address a novel question, create new law or diverge from established precedent. Rather, it applied the same equitable principles that have long been followed by the Circuit Courts, and mandated by the history and plain language of the Lanham Act, to the *three-time* determination of the District Court that respondent did not act in bad faith in adopting and using petitioner's trademark. Indeed, this petition raises precisely the same issue on which this Court has denied *certiorari* at least four times in the past eleven years. *Roulo v. Russ Berrie & Co.*, 886 F.2d 931 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075 (1990); *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532 (2d Cir.), *cert. denied*, 506 U.S. 991 (1992); *Banff, Ltd. v. Colberts, Inc.*, 996 F.2d 33 (2d Cir.), *cert. denied*, 510 U.S. 1010 (1993); and *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947 (7th Cir. 1992), *cert. denied*, 507 U.S. 1042 (1993).

In this action for trademark infringement, in which the District Court found petitioner's mark to be barely protectable and hardly infringed, petitioner seeks a $3.3 million windfall, consisting not only of all of respondent's profits, but all of its *revenues* from the sale of goods bearing the infringed mark. Importantly, the District Court determined that despite millions of dollars in sales, had the equities called for an award (and they did not), the contribution of petitioner's mark to those sales was so

minimal that an award of no more than $20,460.50 would have been appropriate. Pet. App. at 39a.

While the petitioner carefully couches its request for review in terms of a split in the circuits, the petition is, in reality, an attempt to have yet another court — for the seventh time — rule on the equities, and, in effect, reverse the District Court's findings of no bad faith. The petitioner, in making its claim not only for respondent's profits, but for all of the revenues generated by respondent, seeks to obscure (i) the contribution of respondent's famous marks to the sale of the goods, (ii) the weakness of its own mark, (iii) the costs inherent in producing the goods, (iv) the petitioner's own failure to seek a temporary restraining order, (v) the District Court's repeated findings of a lack of bad faith, (vi) the Second Circuit's affirmation of those findings, and (vii) the failure to introduce any evidence of actual consumer confusion, actual damages, or any intent to deceive.

This is exactly the type of case about which the Circuit Courts have expressed concern, where a plaintiff, should it be allowed to recover an award of profits, would stand to gain an undeserved windfall. As the Second Circuit noted in *George Basch Co.:*

> We believe that [a willfulness] requirement is necessary to avoid the draconian impact that a profits remedy might have in some cases. While damages directly measure the plaintiff's loss, *defendant's* profits measure the defendant's gain. Thus, an accounting may overcompensate for a plaintiff's actual injury and create a windfall judgment at the defendant's expense.

George Basch Co., supra, 968 F.2d at 1540 (emphasis in original). The same concerns were expressed by then Circuit

Court Judge Thomas in *Alpo Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 961, 969 (D.C. Cir. 1990) ("willful, targeted wrongdoing" is a prerequisite "for the severe and often cumbersome remedy of a profits award").

Arguing that petitioner is entitled not only to the respondent's profits, but its *revenues*, the petition should be seen as no more than an attempt to convince this Court to reverse the factual findings of the District Court. As this Court has consistently held, "[w]e do not grant a certiorari to review evidence and discuss specific facts." *United States v. Johnston*, 268 U.S. 220, 227 (1925). The principle applies *a fortiori* here because all three judges on the Court of Appeals affirmed these findings as not clearly erroneous. Pet. App. at 1a-4a; Fed. R. Civ. P. 52(a). *See Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 336 U.S. 271, 275 ("A court of law, such as this Court is, rather than a court for correction of errors in fact finding, cannot undertake to review concurrent findings of fact by two courts below in the absence of a very obvious and exceptional showing of error"), *reh'g granted on question of law*, 337 U.S. 910 (1949). Moreover, respondent's petition for rehearing and suggestion for rehearing *en banc* did not receive a single vote from the Court of Appeals. Pet. App. at 5a-6a.

II.

THE COURT BELOW DID NOT MISAPPLY THE LANHAM ACT, MISINTERPRET SUPREME COURT PRECEDENT, OR RENDER A JUDGMENT THAT CONFLICTS WITH THE LAW OF OTHER CIRCUITS

A. The Lanham Act Subjects the Recovery of Monetary Damages to the Principles of Equity, and those Principles were Followed by the Second Circuit

Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), provides for the recovery of monetary damages in trademark infringement actions. The statute states:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . If the court shall find that the amount of recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.

While neither the statute nor the legislative history (see discussion below) defines the term "principles of equity," courts have considered a wide variety of factors in determining whether to award monetary relief. In the Second Circuit, the Court of Appeals has defined those principles,

and the role of the court in determining whether to award an accounting of profits, as follows:

> While under certain circumstances, the egregiousness of the fraud may, of its own, justify an accounting . . . generally there are other factors to be considered. Among these are such familiar concerns as: (1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) the availability and adequacy of other remedies; (3) the role of a particular defendant in effectuating the infringement; (4) plaintiff's laches; and (5) plaintiff's unclean hands. . . . The district court's discretion lies in assessing the relative importance of these factors and determining whether, on the whole, the equities weigh in favor of an accounting. As the Lanham Act dictates, every award is "subject to equitable principles" and should be determined "according to the circumstances of the case."

George Basch Co., supra, 968 F.2d at 1541-42 (citations omitted).

While the Second Circuit and other Circuit Courts consider many factors in applying principles of equity to decide whether to award an infringer's profits[2], chief among

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2. *See Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998) ("relevant factors to the court's determination of whether an award of profits is appropriate include, but are not limited to, (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off"). *See also* James M. Koelemay, Jr., *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 TRADEMARK REP. 263, 280 n.83 (1995) [hereinafter *Koelemay*].

those has always been whether the infringement was committed willfully or in bad faith. The only difference between circuits, if there is any, is the degree of emphasis placed on the bad faith factor. Some Circuit Courts have held that bad faith must be present before an infringer's profits can be awarded, while others have held only that bad faith is the most important factor to consider. However, no Federal Court, district or circuit, has ever made an award of the infringer's profits without a showing of bad faith.[3]

In support of its argument that there is a split in the circuits, petitioner states that in the Seventh and Eleventh Circuits, there is a "presumptive" right to a recovery of respondent's profits, even in the absence of bad faith. Pet. at 7. As shown below, however, there is no such presumption. No court has ever held that a profit award is, or should be, the automatic result of a finding of infringement. *See Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947) (accounting of profits will not be ordered "merely because there has been an infringement"). Rather, all courts do exactly what Section 35(a) prescribes — apply principles of equity to the facts of each case to determine whether a trademark owner should be entitled to recover an infringer's profits.

B. The Decision of the Court Below Does Not Conflict with the Decisions of Other Circuits

The cases cited by petitioner do not demonstrate a conflict of decisions which warrants review by this Court. The petition does not cite a single case in which a recovery of profits was upheld where willful infringement was not

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3. Contrary to petitioner's arguments, a finding of bad faith is not a matter to be determined by the application of a strict formula. Rather, a number of factors have been considered by the courts in making determinations with respect to bad faith. *See Koelemay, supra*, at 271-76 (listing 22 factors that courts have deemed relevant to a willfulness inquiry).

shown. Whatever superficial or semantic differences may exist are not the result of any difference in law or reasoning, but the result of the application of equitable principles to the facts of each case. Thus, petitioner's alleged "split in the circuits" is premised upon no more than the theoretical possibility that the case could have been decided differently in another court.

The Second Circuit's standard for an award of profits in a trademark infringement action is consistent with that of every other circuit. As in all circuits, the Second Circuit requires an application of principles of equity to the facts of the case to determine whether a profit award should be made. However, the Second Circuit has chosen to place particular emphasis on the element of bad faith.

In *George Basch Co.*, the Second Circuit analyzed the historical changes in the law concerning profits recovery and found, in a case where the defendant had not acted with intent to deceive, that:

> In varying degrees, a finding of defendant's intentional deceptiveness has always been an important consideration in determining whether an accounting was an appropriate remedy.

George Basch Co., supra, 968 F.2d at 1539. In reaching this conclusion, the Second Circuit analyzed each of the historical theories underlying an award of an infringer's profits — unjust enrichment, deterrence, or as a measure of plaintiff's damages — and found that each rationale depends to some extent upon a showing of willfulness. *Id.* at 1537-39. The Second Circuit consequently adopted the view that, in applying principles of equity to a demand for an accounting of profits, the element of willfulness was so important that it had to be present in order to sustain a profits recovery.

Id. at 1540 (*citing* Restatement (Third) of Unfair Competition, § 37(1)(a)) ("One . . . is liable for the net profits earned on profitable transactions resulting from [the infringement], if, but only if, the actor engaged in conduct with the intention of causing confusion or deception. . . .").

In this case, the Second Circuit was again confronted with a plaintiff who could not demonstrate to the District Court the existence of bad faith (not to mention actual damages or consumer confusion). After careful examination of the evidence, the District Court concluded that the equities of the case did not support petitioner's demand. Rather, the District Court found that there was no bad faith, and all of the facts and circumstances pointed to one conclusion — that under principles of equity, petitioner should not be entitled to recover respondent's profits, much less all of the revenues ever generated by respondent in the sale of goods bearing the infringing mark. The Second Circuit agreed.

None of the decisions from other circuits conflicts with the decision here. In *Louis Vuitton S.A. v. Lee*, 875 F.2d 584 (7th Cir. 1989), the defendants did not unintentionally infringe upon a trademark — they knowingly and willfully sold counterfeit handbags. By its very nature, a counterfeit product is intended to mislead and to cause confusion. The comments in the Seventh Circuit's decision as to the possibility that "innocent" infringers may be subject to profit awards are mere *dicta* which do not evidence conflict or warrant review by this Court.

In *Roulo v. Russ Berrie & Co., supra*, the defendant purposely created a greeting card design to replace the card that plaintiff had formerly produced for it. The Seventh Circuit affirmed a profits award based on "evidence of intentional imitation and the substantial similarity between the two card lines." In addition to this finding of willfulness,

the Seventh Circuit's acknowledgment that the Lanham Act provides no express standard for awarding profits beyond the phrase "principles of equity" does not conflict with the decision here and is no more than a comment on the language of the Act that is consistent with the Second Circuit's analysis. *Roulo, supra,* 886 F.2d at 941.

Like *Louis Vuitton, Chanel Inc. v. Italian Activewear of Fla., Inc.*, 931 F.2d 1472 (11th Cir. 1991), also involved the sale of counterfeit goods — again which by their very nature are intended to mislead and cause confusion. Additionally, the decision in *Chanel* arose out an appeal from a grant of summary judgment on plaintiff's attempts to recover under 15 U.S.C. § 1117(b) — which specifically addresses counterfeit goods — not 15 U.S.C. § 1117(a) which is at issue in the present case.

Similarly, *Burger King Corp. v. Mason*, 855 F.2d 779 (11th Cir. 1988), was a case of intentional infringement. There, the defendant was a Burger King franchisee who continued to use the franchisor's registered trademarks despite the fact that he knew that his franchise had been terminated. *Id.* at 780. *See also Sands, Taylor & Wood Co., supra,* 978 F.2d at 963 (refusing to reverse finding of bad faith even though evidence was "marginal," but reversing $24 million windfall profits award and remanding for new award).

In light of the fact that in each of these cases the Circuit Court affirmed an accounting of defendant's profits only after carefully examining the equities and circumstances (and finding, in every case, that the defendant acted in bad faith), the petitioner's contention that trademark owners "in some parts of this country [are] presumptively entitled to recover monetary relief . . . for infringement," is simply without merit. Pet. at 7. No court in any Circuit has ever held that a plaintiff is entitled to defendant's profits based solely upon

a showing of infringement. Petitioner's claim of presumptive entitlement to the respondent's profits is unsupported by the language of the statute, or the very cases it cites in trying to prop up its alleged split in the circuits.

Further, petitioner incorrectly argues that the decisions in the Fifth and Ninth Circuits are internally inconsistent, stating that the factors listed by the court in *Pebble Beach, supra*, 155 F.3d at 554, *see* note 2, *supra*, cannot be reconciled with the Fifth Circuit's holding in *Rolex Watch, USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998), *cert. denied*, 526 U.S. 1133 (1999).

In *Pebble Beach*, the Court of Appeals found an accounting of profits was not justified, "considering the lack of actual damages and the lack of an intent to confuse or deceive." *Pebble Beach*, *supra*, 155 F.3d at 555. In *Rolex*, the Fifth Circuit affirmed a denial of an accounting of profits under 15 U.S.C. § 1117(a) based on the plaintiff's failure to show deliberate infringement. *Rolex*, *supra*, 158 F.3d at 828. Thus, both cases denied an award of profits for the same reason — failure to show willfulness — so petitioner's assertion that the cases cannot be reconciled is without merit. Petitioner also fails to acknowledge that the factors listed in *Pebble Beach* are all factors explicitly recognized by the Second Circuit as being part of an application of equitable principles in determining whether to award profits. *See George Basch Co.*, *supra*, 968 F.2d at 1540.

Finally, by claiming a supposed internal inconsistency in the Ninth Circuit between *Everest & Jennings, Inc. v. E & J Mfg. Co.*, 263 F.2d 254 (9th Cir. 1958), *cert. denied*, 360 U.S. 902 (1959), and *Adray v. Adry-Mart, Inc.*, 76 F.3d 984 (9th Cir. 1995), the petitioner once again chooses to ignore the facts and holdings of each case and instead relies on *dicta* to raise the spectre of a hypothetical inconsistency.

In *Adray*, the case which petitioner claims creates the inconsistency, the Ninth Circuit explicitly held that the plaintiff "could recover [the defendant's] profits only if the infringement was willful." *Adray*, *supra*, 76 F.3d at 988.

For decades, the courts have recognized that there is a range of infringing conduct from innocent to deliberate and, for this reason, have developed standards pursuant to the "principles of equity" for determining whether, in a given case, an injunction, damages, profits, attorneys' fees, or some combination of these remedies is appropriate. The Court of Appeals here did nothing novel or extraordinary; it simply applied these long-standing principles to the finding of the District Court that there was no bad faith or willful infringement.

Rule 10 of the Rules of the Supreme Court of the United States provides that one of the "compelling reasons" for granting a petition for *certiorari* is where "a United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter." Because no Circuit Court has affirmed an accounting of profits without first finding bad faith, the petitioner has failed to show that such a conflict is present here, and therefore the petition should not be granted.

C. The Court Below Did Not Misinterpret Supreme Court Precedent

The petitioner apparently contends that the majority of trademark jurisprudence with respect to profits awards results from a misreading of the Supreme Court's decision in *Champion Spark Plug Co. v. Sanders*, *supra*.

In *Champion Spark Plug*, the plaintiff, a manufacturer of spark plugs sold under the trademark "Champion," brought

an infringement and unfair competition action against the defendant, who collected and repaired the plaintiff's plugs without removing the mark "Champion," and resold them in boxes marked "Champion." Noting that the Court of Appeals had entered an injunction which would prohibit the defendant from using the plaintiff's mark, this Court stated:

> Under the Trade Mark Act of 1905, as under its predecessors, an accounting has been denied where an injunction will satisfy the equities of the case. . . . Here, as we have noted, there has been no showing of fraud or palming off. . . . Moreover, as stated by the Circuit Court of Appeals, the likelihood of damage to petitioner or profit to respondents due to any misrepresentation seems slight. In view of these various circumstances it seems to us that the injunction will satisfy the equities of the case.

Champion Spark Plug, supra, 331 U.S. at 1139-40.

Contrary to petitioner's argument (Pet. at 17), neither the decision below, nor that of any Circuit Court, "woodenly applies a strict requirement of bad faith" based on *Champion Spark Plug*. In rejecting an accounting of defendant's profits in this case, and in many prior cases, the Circuit Courts have properly applied the *Champion Spark Plug* test, which requires an analysis of the equities of the situation to determine whether defendant's profits should be disgorged.

In particular, the Second Circuit, in *George Basch Co.* and other cases, did not "woodenly apply" any holding in *Champion Spark Plug*. Rather as noted above, the Second Circuit recognized that its mandate under Section 35(a) of the Lanham Act was to subject every claim for an award of profits to "equitable principles" and to determine whether to make such awards "according to the circumstances of each case." *George Basch Co., supra,* 968 F.2d at 1541-42.

D. The Equities of the Case Do Not Support Petitioner's Claim for Recovery

While a petition for *certiorari* should not be used as a forum to reargue findings of fact, respondent simply cannot ignore petitioner's inaccurate presentation of the equities of this case. In truth, the equities here cry out not for an award of all of defendant's revenues, but rather for the denial of any monetary relief.

First, the District Court recognized that petitioner's mark was so weak that "it was a 'close question' whether the plaintiff had any trademark rights." Pet. App. at 37a.

Second, the Circuit Court found that actual damages could not be recovered because the petitioner "offered no evidence of actual confusion . . . and indeed presented no evidence of pecuniary loss. . . ." Pet. App. at 26a.

Third, the District Court found *on three separate occasions* that respondent did not act in bad faith, either in adopting the term "Star Class" or continuing to use it after performing trademark searches or being sued. On the issue of whether respondent intended to infringe a trademark when it first decided to use "Star Class," the District Court stated:

> There is no showing that Hilfiger had knowledge of the existence of [petitioner] or of the mark's association with any entity at all, let alone any commercial use of the designation Star Class. Pet. App. at 33a-34a.

The District Court also found, in the face of admonitions by the Circuit Court to review carefully the evidence, that: (i) the respondent had not ignored the advice of its counsel to go beyond an initial trademark scan search of "Star Class"

and do a full trademark search (indeed, the District Court found respondent's lawyers had *not* so advised respondent) (Pet. App. at 35a), (ii) that the full trademark search respondent performed after being sued did *not* put it on notice that "Star Class" was a mark owned and being used by petitioner (Pet. App. at 33a-34a), and (iii) that continued use of the mark following denial of respondent's summary judgment motion did not evidence bad faith on respondent's part (Pet. App. at 36a).

Fourth, the District Court concluded that "the sales of defendant's garments were driven by the prominent use of defendant's name, initials and crests, which identified the garments as defendant's product, and not the word 'Star Class' " (Pet. App. at 33a), and that "the use of the Star Class mark conferred little benefit on Hilfiger" (Pet. App. at 39a). The Court found that the term "Star Class" was a mere "embellishment" on respondent's garments, and that famous Hilfiger trademarks overwhelmingly drove the sale of these goods. These are additional compelling reasons why any award of profits would be a pure windfall to petitioner.

Finally, it was petitioner's choice not to pursue a temporary restraining order. Petitioner rationalizes now that it did not do so because it was too poor to post a bond (although there is no evidence of this in the record), and argues that the clock should be turned back to April 1994, when a TRO would have entered. This argument assumes, however, that poverty was in fact the reason why petitioner did not seek a TRO. Given that this was a "close case" on protectability and infringement, it is far more likely that petitioner did not seek a TRO because it was afraid it would lose, and the District Court might also have weighed in unfavorably on the issue of whether petitioner was likely to succeed on the merits.

This is not, and has never been, a case where the equities clearly favor petitioner. Unlike the defendant in *Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1122 (9th Cir. 1986), a case petitioner cited repeatedly to the Circuit Court, respondent is not a brazen counterfeiter who needs to be taught a lesson. Nor should this Court be influenced by the petitioner's repeated posturing as a poor David being abused by a corporate Goliath. As the Seventh Circuit has recognized, "[e]quity is not a roving commission to redistribute wealth from large companies to small ones. The Lanham Act was not written by Robin Hood." *Louis Vuitton, supra*, 875 F.2d at 589. Rather, the equities of this case call for no more than the same remedy awarded by Judge Patterson at trial — injunctive relief but no damages.

III.

THE DECISION OF THE COURT OF APPEALS DOES NOT CONFLICT WITH THE PLAIN MEANING OR THE LEGISLATIVE HISTORY OF THE LANHAM ACT

The petitioner asserts that because Section 35(a) of the Lanham Act does not expressly condition an award of profits on the presence of bad faith, the Circuit Court's decision goes against the plain meaning of the statute. In making this assertion, petitioner ignores the requirement of Section 35(a) that an award of damages be subject to "the principles of equity." All Circuit Courts have held that the defendant's bad faith is an important factor to be considered in applying "principles of equity." No Circuit Court has ignored the plain language of Section 35(a).

Petitioner also argues that the legislative history of the Lanham Act supports the proposition that Section 35(a) does not require a showing of bad faith. In support of this proposition, petitioner points to bills introduced in the early

1920's, fourteen years before the first bill introduced by Representative Lanham in 1938. In fact, however, those bills were not "early drafts" of the Lanham Act, as petitioner argues. Pet. at 13-15.

The first bill which can truly be called an "early draft" of the Lanham Act is HR 9041, introduced by Representative Lanham in 1938. In 1943, Congressman Lanham submitted a report which included a section entitled "History of Proposed Trademark Legislation." The section begins: "H.R. 9041, the first of a series of bills to amend and codify the trademark laws, was introduced January 19, 1938." *House Report No. 603,* 78th Cong. 1st Sess., 1943.

Subsequently, in 1945, Congressman Lanham introduced HR 1654, which was, after a further series of amendments, enacted as the Lanham Act in 1946. In the report submitted with this bill, the section outlining the history of the proposed trademark legislation once again pointed to HR 9041 as the first in a series of bills leading to the enactment of the Lanham Act. *House Report No. 219,* 79th Cong. 1st Sess., 1945.

Additionally, the report following the 1946 House-Senate conference on HR 1654 contains the following statement from Congressman Lanham: "Mr. Speaker, the legislative history of this act is long and extensive. Many hearings have been held over a period of almost 8 years. These hearings may, and probably will be referred to by the courts in construing and interpreting the provisions of the act." *House Report No. 1333,* 79th Cong. 2nd Sess., 1946.

Thus, this Court should give no weight to petitioner's argument that a 1924 bill demonstrates that bad faith is not a required element for an award of profits under the Lanham Act.

IV.

THE COURT OF APPEALS DID NOT MISINTERPRET THE LANHAM ACT WITH RESPECT TO THE DENIAL OF ATTORNEYS' FEES

Finally, the petitioner argues that, even in the absence of a finding of bad faith, it should be entitled to an award of attorneys' fees under the "exceptional case" doctrine of the Section 35(a). Once again, the petitioner is asking this Court not to resolve any conflict in the Circuits on the law, but to reverse a factual determination made by the courts below that this is not an exceptional case.

The legislative history of the Lanham Act shows that the 1975 amendment to Section 35(a), providing for an award of attorneys' fees in exceptional cases, was indeed intended for those circumstances where the infringement is at least willful:

PURPOSE OF H.R. 8981

> The purpose of H.R. 8981 is to affect three minor changes in the Trademark Act of 1946, as amended:
>
> * * *
>
> (3) It would authorize award of attorney fees to the prevailing party in trademark litigation where justified by equitable considerations. Senate Report No. 93-1400, 93d Cong. 2d Sess., 1974, p. 7132.

* * * *

> The Department of Commerce believes and the Committee agrees that the remedy should be available in exceptional cases, *i.e.*, in infringement cases where the acts of infringement can be characterized as "malicious," "fraudulent," "deliberate," or "willful." Senate Report No. 93-1400, 93d Cong. 2d Sess., 1974, p. 7133.

SECTIONAL ANALYSIS

> Section 3 provides that attorney fees may be awarded to the prevailing party in actions under the Federal Trademark Laws, when equitable considerations justify such awards. It would make a trademark owner's remedy complete in enforcing his mark against *willful infringers*, and would give defendants a remedy against unfounded suits. (emphasis added) Senate Report No. 93-1400, 93d Cong. 2d Sess., 1974, p. 7137.

Additionally, courts interpreting the attorneys' fees provision of Section 35(a) have long required that in order for a case to be "exceptional" there must be "evidence of fraud or bad faith." *See Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 194 (2d Cir. 1996); *George Basch Co., supra,* 968 F.2d at 1543; *Roulo, supra*, 886 F.2d at 942.

Petitioner's reliance on *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Rest.*, 771 F.2d 521 (D.C. Cir. 1985) is unavailing. *Noxell* did not involve an assessment whether an infringer had acted in bad faith prior to litigation. Rather, the court awarded attorneys' fees due to the plaintiff's bad faith litigation strategy, including its "unreasonable" venue selection, unsupported by "even a wisp" of tenable argument, which imposed an undue hardship on the defendant. *Id.* at 526-27. The circumstances of *Noxell* have nothing to do with this case.

Petitioner also fails to mention that it did not even raise the issue of its attorneys' fees on its second appeal to the Circuit Court, so that the issue was technically not before the Court on the third appeal. Accordingly, petitioner's request for review of the denial of its attorneys' fees in the absence of a showing of bad faith should be denied.

CONCLUSION

For the foregoing reasons, the Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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